1:Indiana U. E-4 1955 EC1 Hungary EC1

PREFACE

121 This is one of a series of monographs produced under HRAF Subcontracts. This monograph constitutes one portion of a combined effort between Indiana University and Associates for International Research, Inc. for a description of Hungarian society.

The emphasis throughout the present work has been on a description of the Hungarian peasant culture. Other aspects of Hungarian life and are being covered by Associates for International Research, Inc.

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128 This monograph was annotated according to the system of categories in the Outline of Cultural Materials and was printed for simultaneous inclusion in the Area Files.

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making basis. Free competition, as in most countries under post-war conditions, was limited by price controls, rationing, exchange regulations, import restrictions, etc. But within those limitations, each took financial responsibility for his own business.

In so far as planning has been applied to the countries of Western Europe, the controls have been relied on to supply the means of putting pressure on producers. Especially supplies of materials have been made conditional on the producers who use them conforming to a policy planned by the Government, for example exporting a prescribed proportion of their output, or limiting supplies of goods classed as superfluities for home consumption. And investment policy has been governed not only through the supplies of materials but through a direct licensing system.

In the Hungarian Plan, on the other hand, directly coercive powers were taken. Each producer was obliged under penalties to fulfil his programme and to contribute his quota. And capital programmes were not only subject to licensing but were to a great extent centrally directed.

Dr Kemény's study shows how this system worked in the opening period of the Plan, and how it was adapted to the general measure of nationalization adopted in the spring of 1948. He describes the administrative framework of the Plan, its relation to the controls which had been put into operation independently of it, and the expedients resorted to to meet changes of circumstances, and to make good any gaps in the original scheme. He has refrained from any attempt to describe the subsequent Five-year Plan (1950–4) of which the available information was very incomplete.

It is a pleasure to me to have this opportunity of commending a study which I believe to be a substantial contribution to our knowledge of economic conditions in Eastern Europe at the present time and to an understanding of the general problem of the methods of economic planning.

R. G. HAWTREY
Henry Price Professor of International Economics at Chatham House.

June 1951

3:Kemeny G-5 (1945-48)1957 EC1 Hungary EC1

AUTHOR'S PREFACE

In Eastern Europe events moved very fast during the post-war period. The collapse of the Nazi rule evoked hopes in the liberated peoples. It seemed then that the opportunity had come to rebuild their national life along democratic lines. This hope appeared the more founded as in the new configuration the forces retarding or opposing political and social reforms from within were paralysed, if they had not entirely vanished.

It was not unreasonable to assume in the early post-war period that political and economic reconstruction in Eastern Europe could be based on some form of understanding between Soviet Russia and the Western Democracies, the Powers which through common efforts fought and defeated Hitlerism. The real meaning of 'liberation' by the Russian armies could not in its full consequence be predicted in 1945. At that time it would have been bold to prophesy that the countries east of the Stettin-Trieste line would be subjected to Russian domination and that the nations of that important part of Europe would, regardless of their own will, be governed by handful teams of Moscovites on totalitarian lines.

As it happened, political and social reorientation based on democratic principles was but a passing period. The Hungarian Three-year Plan was a product of this phase of development. It was the expression of economic democracy as conceived in Hungary during the early post-war years. By summing up my observations and personal experiences I have tried to show how it came about that the Plan was launched and how the first version worked within the limits of its short duration. Though short-lived, the promising start of the original Plan may be of some interest for students of economic planning. For the rest my task was to describe the switch-over to another kind of planning governed on an increasing scale by totalitarian methods.

Behind this change in the ways of planning stands, in a broader aspect, the transformation of the political setting, involving the tragedy of a nation which, hardly liberated from Nazi oppression, is now being subjugated by the rulers of the Kremlin.

I am much indebted to Chatham House and the Rockefeller Foundation for enabling me to carry out this study.

I owe special thanks to Professor R. G. Hawtrey of the Royal

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CHAPTER I

ECONOMIC AND SOCIAL BACKGROUND

THE purpose of this work is to describe and analyse the meaning of economic planning in Hungary in the years 1947–9 as a typical instance of planning under conditions then prevailing in Eastern Europe. These conditions differ distinctly from those in Soviet Russia on the one hand and from those of planning as understood in Western Europe on the other. That nationalization of industries had been carried out somewhat further in Hungary than in England or France was not the essential difference, but when the Plan came to be adopted in Hungary, it was based on direct coercive powers, such as the Western countries would not resort to for such a purpose. When planning was started in Hungary, the nationalized section consisted of mining, heavy industry, power production, and big banking. To these might be added transport and public utilities, which already before the war had been run by Government agencies or local authorities. Within eight months of the Plan starting, almost the whole of manufacturing industry and the entire wholesale trade were incorporated into public ownership. Even in these later stages of nationalization private enterprise remained important. Besides handicrafts and retail trade, it included agriculture; farm production was carried on in individually-owned peasant holdings numbering some 2 million. Thus the administrative task of the planning authorities was twofold. They had to exercise a direct control in the nationalized sphere and at the same time to regulate private enterprise by elaborate indirect methods of control.

The economy which had to be moulded by the Hungarian Three-year Plan had not only been worn down by German military exploitation, by direct war damage, and by dismantling, but even before the war had been of limited efficiency. In productivity of labour and national income, Hungary, while ranking far behind the nations of Western Europe, made a relatively favourable comparison with the peoples of South-eastern Europe. For 1938 income per head in U.S. dollars was estimated in Hungary at $112, in comparison with $378 in the United Kingdom, $337 in Germany, $236 in France, and $176 in Czechoslovakia, and against $104 in Poland and only $68 in Bulgaria.[1]

[1] U.N., Economic Commission for Europe, *Economic Survey of Europe in 1948* (Geneva, 1949), p. 235.

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ETHNOGRÁFIA - NEPELET

The Journal of the Hungarian Ethnographic Society

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BIRTH AND TRANSFORMATIONS OF THE HUNGARIAN FOLK EPIC

121 I wish to discuss the folk epic in the broadest sense of that term, that is, including all such verbal folk tradition as can be classified neither as lyrical nor as dramatic, and is of an epical nature in the sense of narrating something.

The everyday conversation of the people, how they recount the minor events of their lives, and how they communicate to each other their observations, all belong within the class of the folk epic. So do their proverbs, for their formulation is often epical, and we shall see how closely they are related to common conversation. Moreover, anecdotes, stories, legends, etc., are by nature epical literary forms.

So I wish to discuss the life of these folk epics. I want to examine what objectives regulate the everyday speech of the people, how the more fixed forms are born and how they affect each other, and what quantitative relationships there exist between the individual literary forms. Also, when and under what circumstances these literary forms appeared; in one word, what their life is.

This procedure aims at observing the external manifestations of the folk epic, but it can often point up the most profound relationships and illuminate in an interesting manner the life of the people.

(I did the work of collecting the material in the Hegyhát district of Baranya county, and in the Dombóvár district of Tolna county. My findings apply first of all to the folk epic of this region.)

• • •

000 The generally recognized literary forms of the folk epic are the folktale, the legend, the anecdote and the joke; to this group belong also the proverb, the riddle and the versified narrative epic. But we cannot limit the folk epic to these alone, because the everyday speech of the people is also included on the basis of that most

have boundaries. Consequently, the whole lot of things such as fishing, fireplace, dialect, folklore, folk music, legal custom, belonging to one mass of people is not possessed exclusively by one ethnic group, but merely a component part, appurtenance, technique, form, decoration, structure, operational method of them; like the fishing net, the household implement, the verse structure, the epic motif, the use of diphthongs, the marriage customs, in their typical form, marked application, etc. The layman uses one or two of these marks--most often the way of dressing or dialect-- to form an 'ethnic group'. But ethnography itself also selects the leading phenomenon from these characteristics and uses it as a catchword to label certain cultural areas or regions; like 'matriarchial area', 'boomerang culture', 'five-tone scale (musical)', 'dialect using "i's" excessively (linguistic)', etc.

If in the following we discuss ethnic groups and geographical-ethnographical areas, which are living in historical or folk traditions and thus exist in reality, we may not lend as of today to the above mentioned distinctions more significance than to the summary description of Szeged dialect which simply states that there the Magyars 'speak ö'. -- Thus, our groups are not the results of scientific investigation, for research substantially aiming to find the correct boundary lines was never undertaken. -- But, as far as the problem of ethnic boundaries is concerned, even scientific research will never advance further than the designation of boundaries of single phenomena; nevertheless, these will be important statements, separating the phenomena from each other, and suitable for manifold conclusions. -- The boundaries thus established will doubtless often advance on the same lines as dialectical phenomena. In the future conclusions of the dialectologist this joint character will serve as a distinct emphasis which has the force of proof.

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9: Eppstein S-4 (no date) 1945 EC1 Hungary EC1

HUNGARY

CHAPTER I

THE OLD HUNGARY, A.D. 900–1919

THE IMPORTANCE OF THE PAST. The occupation of Hungary by the Red Army, the overthrow of the system imposed on the country by Germany and the substitution for it of new and radically different elements are already a matter of history. But the future of Hungary is still obscure, and the problem of the Hungarian nation, an integral part of the European scene for over a thousand years, will be with us so long as Europe lasts. It is, therefore, more than ever necessary to understand the mentality and characteristics of this people, the economic as well as political position of Hungary in the Danubian basin and the reasons which underlie the antagonisms which separate the Magyars from their neighbours surrounding the Hungarian plain. For these purposes it is necessary, more perhaps than in the case of any other European people, to study their evolution in history; for they are pre-eminently the children of their own past. Without a knowledge of that past, it is impossible to understand the stages of the tragedy which has brought Hungary to its present plight. It is not, however, the only or the main object of this small book to trace the political development of Hungary; like all the handbooks in the present series, and like the *British Society for International Understanding* itself, it is concerned more with peoples than with governments. However cata-

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121 strophic the fortunes of war and politics, the very nature of a people and the essential conditions of their geography do not change. Who then are the Hungarian people? What is the nature of their country? How do they gain their livelihood? What is the social structure of the nation, its spiritual loyalties, the prevalent ideas in the minds of the people and the origins of them?

101 174 **WHO ARE THE MAGYARS?** The name of Hungary in its own language is Magyarország—Magyarland; and its story and its problems are to a quite peculiar degree those of the strange and interesting people who inhabit it and to whom it owes that name. The Magyars are not, by origin, Europeans in the ordinary sense of the term. Their remote ancestors were a primitive tribe, distantly related to the Finns. Finnish and its cousin Estonian, are the only languages spoken in Europe to-day which bear any likeness to Magyar, and the Magyars always feel a warm sympathy for the Finns, as their nearest relatives. The forefathers of the Magyars, however, lived in ancient times far eastward of the present Finland, on the eastern slopes of the Ural Mountains. Here they mingled with nomad tribes who were roaming the plains of Central Asia, and under their leadership they journeyed by gradual stages across South Russia and the Ukraine, driven ever westward by the pressure of other nomadic races from the East. At last, at the end of the ninth century—that is over 1000 years ago—they crossed the Carpathian Mountains and pitched their tents on the further side, in the land which their descendants still inhabit.

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000 Even science has hitherto been unable to give the explanation of many customs. So far in many cases «it is merely a habit — because it is a habit», which Hungarian peasant wisdom thus puts into words: «Death is only a habit, though we do not know who was foolish enough to get accustomed to it !»

• 121 From the vast complex of Hungarian customs this book publishes merely a few select examples, but perhaps even these will make it evident, how rich, how coloured and to a certain extent how individually Hungarian is the world of our customs.

128 In this series of customs we did not think it necessary to arrange the chapters according to the cycles of life, or of farming or of the calendar; we mixed them up, as in life they also follow each other irregularly. Still on the whole we follow the course of the Calendar.

000 Of the material and the explanations of these customs the author attributes very little to himself; he owes all his results to those industrious collectors and learned professors, who through their work were the first to disclose the wonderful riches of the Hungarian world of tradition. They were thorough in their sowing and happy in their reaping.

12; Free Europe Committee U-4 (no date) 1954 EC1 Hungary EC1

FOREWORD

000 The subject of oil is particularly interesting due to its many important aspects—economic, political, and military. America's oil resources and production have had a profound influence on the whole development of her national and international life for more than half a century.

315 Compared to America's huge oil resources and allied industries, Hungary's natural wealth in oil and the development of her petroleum industry are of comparative unimportance; but from a European frame of reference, and with communist Hungary an economic and political Russian pawn, Hungary's oil assumes an entirely different aspect and importance.

315 121 It is a significant economic fact that the Hungarian oil industry became in the 1940's one of the few in oil-poor Europe with an exportable surplus. This study covers the history of oil exploration, exploitation, and refining in Hungary from their beginnings. If today Hungary were a free and democratic country in a normal and a peaceful world, her oil industry would be a valuable asset in her economic reconstruction. Hungary's captive economy is almost completely integrated into the Soviet economic orbit. Her natural resources, like her people, have become mere economic units figuring in over-all planning originating in Moscow rather than Budapest.

This study has been compiled by experts and consultants of the staff of the Mid-European Studies Center familiar with every phase of the Hungarian petroleum industry.

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FOREWORD

● /2/ The Hungarian Oil Industry is a contribution to the rather meager material available in English on the subject and covers both the geological background and the actual development of a petroleum industry in one important Central European country. Further, in the light of expert analysis of communist statements and statistical data, added to information from private sources, it presents a picture of the state of the industry in Hungary today and an objective evaluation of its development and future potential.

J. B. Hoptner
Director of Studies

December 1953

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THE OIL INDUSTRY IN THE HUNGARIAN ECONOMY

121 Any study of a given sector of the Hungarian economy must take into account the very great changes in the economic climate as well as the frequent changes in the area and political system of Hungary.

101 The Hungary of the final third of the nineteenth century, when the Hungarian oil industry first began to develop, extended over the whole Carpathian Basin and was an integral part of the Austro-Hungarian Dual Monarchy.

652
439 From 1867 to the outbreak of World War I there was virtually no government interference with internal trade or with domestic industries that faced no competition from abroad. Theoretically at least, the official policy of the Hungarian government in this period was characterized by economic liberalism. The general level of taxation was very low.

A benevolent paternalistic attitude did prevail, however, toward industries facing competition from the Austrian part of the Dual Monarchy. Subsidies, preferential treatment in the awarding of government contracts, "buy Hungarian" campaigns, and similar methods were resorted to. These measures, of course, were not in line with the official economic policy and at times eclipsed it. Nevertheless, they were largely unsuccessful, because the simplest and most effective measure, tariff protection, could not be resorted to against Austria.

Protective tariffs, however, were imposed on selected imported manufactures and commodities. Among the latter was crude oil, first bought from Russia (1885-1895), then from the United States (until 1900), and finally

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Postwar Hungary

By Andrew Gyorgy

727 Since the end of military operations Danubian Europe has been undergoing a social and political upheaval in which, paradoxically, both Communism and a resurgent nationalism seem to be powerful elements. The most significant contributing factor in this atmosphere of political unrest is the all-too-direct domination of the Soviet Union whose policies are guided by conflicting motivations and divergent objectives, results of the flexible strategic and economic considerations of the Kremlin.[1]

121 Hungary today is in a more precarious position than any of her Danubian neighbors. Hungarians have not fought heroically for liberation as have the Yugoslavs, nor do they enjoy the political prestige Czechoslovakia accumulated through the democratic experience of twenty years. Hungary has no oil, no significant trade-routes, no vital strategic lines of communication as do Rumania and Bulgaria, no well-defined political boundaries which also afford strategic defense, as in the case of Turkey. In view of all these strikingly unfavorable facts and developments, Hungary's present-day hopes and future aspirations are of necessity aimed toward "a well consolidated domestic policy motivated and vitalized by the momentum of radical reform policies."[2] It is 121 the purpose of this article to show the steps taken in the political reconstruction of post-World War II Hungary as well as the forces working against it.

642 On February 1, 1946, an official proclamation by the first democratically elected National Assembly unanimously terminated the 945 year-old Hungarian monarchy and declared Hungary a republic. With the simultaneous emergence of a fairly representative and ideologically

* This article, completed before the Communist putsch of late May, 1947, remains timely as a description of the methods used by a Communist minority to seize power. —The Editors.

1 Soviet policies in Danubian Europe center around three major objectives: 1) to prevent the use of Danubian states as bases for future aggression against Soviet territory; 2) to achieve farreaching social reforms in most of these countries; and 3) to compensate the Soviet people at the expense of the vanquished, who will be forced to contribute heavily to the economic reconstruction of the Soviet Union. Cf. "The Danubian States, Soviet Aims in South-East Europe," *The Times*, London, Nov. 11, 1946, pp. 5 ff.

2 Cf. István Bilbó, "A Magyar Demokrácia Válsága, (The Crisis of Hungarian Democracy)" in *Valóság*, October-December, 1945, p. 39.